

**Town of Lyons, Colorado  
Board of Trustees  
BOT Agenda Cover Sheet  
Agenda Item No: XII-1  
Meeting Date: 2 May 2022**

**TO:** Mayor Rogin and Members of the Board of Trustees  
**FROM:** Aaron Caplan, Director of Utilities & Engineering  
**DATE:** 28 Apr 2022  
**ITEM:** General Business – Spirit Hound Distillers Water Dedication Request

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ORDINANCE  
 MOTION / RESOLUTION  
 INFORMATION

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- I. **REQUEST OR ISSUE:** Spirit Hound Distillers has been having a difficult time finding Lake McIntosh Reservoir Company water shares and is requesting an extension on their requirement to dedicate 1.4 shares by May 20, 2022.
- II. **RECOMMENDED ACTION / NEXT STEPS:** Staff recommends extending the deadline for an additional 60 days. After making a couple of inquiries it does appear to be difficult to find individual water shares at the current time. The Trustees could decide to accept cash in lieu of the water shares. We could then continue to look for additional water shares or use the cash for the water utility. If Lake McIntosh Water shares continue to be difficult to acquire, the Town may want to be careful depleting the eight shares we currently own. Rather than the Town spend the time and resources looking for available water shares, it would be in the economic interest of the Town for the applicant to spend the time and resources.
- III. **FISCAL IMPACTS:** Currently the Town has dedicated 1.4 shares of its own Lake MacIntosh Reservoir shares to Longmont per our agreement with Longmont. If the Town does not receive additional shares, the Town’s supply of shares that could be dedicated for future projects would be reduced.
- IV. **BACKGROUND INFORMATION:**  
Lyons and Longmont entered into an Intergovernmental Agreement (Treated Water Service) dated July 21, 2003 (the “Water Service Agreement”), by which the parties provided for the treatment and delivery of potable water to Lyons by Longmont. One of the terms of this agreement was that Lyons would dedicate water rights for new service connections to the Town water system. A primer on water rights is included in the packet.

In September 2019 a third amendment to the agreement was approved in which the Fixed Dedication – New Approvals. Paragraph 5.2.C. of the Water Service Agreement was revised to state as follows:

Additional Service Connections - New Approvals. Except for Affordable Housing, Commercial Development, or Economic Development Opportunities, for each Service Connection added within the Lyons Service Area in accordance with a land use approval or contractual commitment(s) subsequent to the date of this Agreement, one (1) additional unit of Lyons C-BT Water shall be required for the Fixed Dedication. For each Service Connection added within the Lyons Service Area in accordance with an Affordable Housing, Commercial Development, or Economic Development Opportunities land use approval or contractual commitment(s) subsequent to the date of this Agreement, either one (1) additional unit of Lyons C-BT Water, or one and four-tenths (1.4) shares of capital stock in the Lake McIntosh Reservoir Company, shall be required for the Fixed Dedication. During the term of this Agreement, Lyons shall maintain and enforce a raw water dedication requirement for new taps and new annexations equal to or greater than its regulatory or contractual requirements existing on the date of this Agreement, but in no event shall such dedication requirement be for less than one (1) C-BT unit for each Service Connection, or, if applicable, one and four-tenths (1.4) shares of capital stock in the Lake McIntosh Reservoir Company. The dedication requirement for non-single family development shall be determined by calculating a single-family residential water use equivalent for such development and multiplying said equivalent by the dedication requirement applicable to a single-family residential Service Connection.

In June of 2021, the previous Board of Trustees accepted an application from Spirit Hound Distillers to submit 1.4 shares of Lake McIntosh Reservoir Company Stock for them to increase their water usage from what is used by a ¾" tap to a 1" tap. The resolution for this is included in the packet.

In March of 2022, the 1.4 shares had not yet been dedicated to the Town and the Board of Trustees approved a resolution requiring that the shares be dedicated by May 20, 2022, or the authorization to dedicate Lake McIntosh Shares be revoked. This would then require a Colorado Big Thompson or C-BT share to be dedicated to the town. The resolution for this is included in the packet.

**V. LEGAL ISSUES:** None

**VI. CONFLICTS OR ENVIRONMENTAL ISSUES:** N/A

**VII. SUMMARY AND ALTERNATIVES:**

- Grant an extension of 60 days for Spirit Hound Distillers to acquire the required water shares.
- Accept cash in lieu of the shares and use that cash to purchase additional shares when they are available.
- Accept cash in lieu to be used by the water utility for additional capital improvement projects.